

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016049783001**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Edward Jones, Respondent
Broker-Dealer
CRD No. 250

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Edward Jones (the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The Firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Edward Jones is a nationwide broker-dealer headquartered in Saint Louis, Missouri with more than 17,000 registered persons in more than 12,000 branch offices. The Firm has been registered with FINRA since 1939.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history.

OVERVIEW

From April 2010 through 2014 (the "Relevant Period"), the Firm failed to establish, maintain, and enforce an adequate supervisory system, including written procedures, concerning the creation and dissemination of consolidated reports in violation of NASD Rule 3010(a) and FINRA Rule 2010. During this time period, the Firm made available to its registered representatives two centralized and automated tools, which provided templates for reports that could be used to,

among other things, present comprehensive financial information to customers, including outside asset information. While the Firm used internally approved templates, the Firm had no system or written procedures in place reasonably designed to minimize the risk that the reports could contain inaccurate information that potentially could be misused. In addition, although registered representatives printed the reports and provided them to customers, the Firm could track only whether a report was printed. It had no system or procedures to track whether reports were provided to customers. During the Relevant Period, registered representatives at the Firm generated approximately 52 million reports using the two tools.

FACTS AND VIOLATIVE CONDUCT

A "consolidated report" as defined by FINRA Regulatory Notice 10-19 is a document provided by a broker to a customer that combines account information regarding a customer's financial holdings, regardless of where those assets are held. Consolidated reports supplement, but do not replace, the customer account statements required pursuant to NASD Rule 2340.

Regulatory Notice 10-19 reminds member firms that consolidated reports are communications with the public and therefore must be clear, accurate, and not misleading pursuant to FINRA Rule 2210(d)(1), which describes the content standards applicable to such communications. Firms that allow representatives to create consolidated reports must supervise the activity pursuant to FINRA Rule 3110 (and its predecessor, NASD Rule 3010). Where consolidated reports include accounts and assets held away from a firm, the firm must ensure that registered representatives are taking reasonable steps to ensure that those accounts and assets are valued accurately. The Notice recommends that firms providing consolidated reports to customers "ensure that the size and complexity of the consolidated reporting program does not exceed the firm's ability to supervise the activity and to subject it to a rigorous system of internal controls."

Regulatory Notice 10-19 identified significant regulatory concerns arising from the reports including: "the potential for communicating inaccurate, confusing or misleading information to customers, lapses in supervisory controls, and the use of these reports for fraudulent or unethical purposes." Thus, FINRA "strongly encouraged" firms to review their procedures concerning the reports and warned, "[a]ny firm that cannot properly supervise the dissemination of consolidated reports by its registered representatives must prohibit the dissemination of those reports and take the necessary steps to ensure that its registered representatives comply with this prohibition."

The Regulatory Notice set forth the following sound practices for member firms to consider in assessing the adequacy of their supervisory systems and procedures: (1) implementing ongoing audits and reviews; (2) using a centralized reporting system; (3) mailing the reports to the customer's address of record; (4) verifying outside asset information; (5) maintaining supporting documentation for

outside assets; (6) maintaining original source documentation for outside assets; (7) designing clear reports; and (8) providing adequate disclosures.

During the Relevant Period, the Firm made available two centralized tools, which provided report templates to its registered representatives for purposes of giving advice to customers. In certain instances, registered representatives included information regarding assets held away from the Firm to create a more complete picture of a customer's overall financial situation. The two tools drew information from the Firm's centralized system to populate the reports with information regarding assets held at the Firm. For assets held away from the Firm, registered representatives would manually input information based on facts provided by the customer. Due to an unintentional vendor created design flaw, one of the tools for a time also allowed registered representatives to manually edit assets held at the Firm. As a general matter, the reports were provided to customers during in person planning meetings. Occasionally, registered representatives made the reports available through online account access or mailed the reports to customers. During the Relevant Period, the reports contained disclosures stating the reports are not account statements and should not be relied upon as account statements. Additional disclosures throughout the Relevant Period included statements such as that the document "was created as a courtesy and it may include information about assets that are not held at or may not have been verified by Edward Jones" and that "Edward Jones assumes no responsibility for vendor and client assets held outside of Edward Jones or for the accuracy of the data relating to those assets." Further, the reports generated by one tool (but not the other) identified whether assets were held at the Firm, by a vendor, or away from the Firm.

During the Relevant Period, approximately 52 million reports were generated by the Firm's registered representatives; however, the Firm had no reasonably designed system or procedures in place to mitigate the risks described in Regulatory Notice 10-19, nor did it have in place a centralized review process. For example, it had no policies or procedures to guide its registered representatives regarding the creation and use of the reports. In addition, the Firm had no guidance regarding how registered representatives should include outside asset information in the reports, and whether steps should be taken to verify that information before it was included. Further, there were no procedures or guidance regarding updating the outside information included in the reports, such as how often and with what source materials. Moreover, the Firm had no ability to determine whether the reports generated by the representatives were actually delivered to customers.

Although a retrospective review of a sample of approximately 65,000 reports did not reveal any instances that were materially inaccurate or misleading, NASD Rule 3010(a) required the Firm to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with applicable securities laws and regulatory rules, including FINRA Rule 2210. A violation of NASD Rule 3010(a) is a violation of FINRA Rule 2010. Because the

Firm lacked an adequate system, including written procedures, to supervise the creation and dissemination of its reports during the Relevant Period, the Firm violated NASD Rule 3010(a) and FINRA Rule 2010.

OTHER FACTORS

The Firm undertook a comprehensive review of the creation and use of the reports and implemented extensive remedial changes. The enhancements to the Firm's system include: a risk-based review of the reports, enhanced disclosures, new procedures and mechanisms for verifying outside assets, and surveillance that detects gaps in information between the reports and the Firm's outside business activity database.

The sanction reflects the Staff's consideration of the Firm's review and remediation.

B. The Firm also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine in the amount of \$725,000.

The Firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Firm has submitted an Election of Payment form showing the method by which the Firm proposes to pay the fine imposed.

The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA Staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and

- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The Firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
 - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The Firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The Firm may not take any

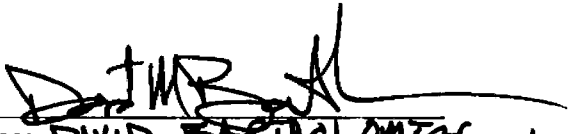
position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its Staff.

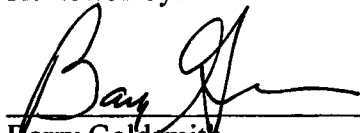
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; the Firm agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

Dated: June 26, 2017

Edward Jones

By: 
Name: DAVID BREITEL
Title: Principal & Deputy General Counsel

Reviewed by:


Barry Goldsmith
Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, NY 10166-0193
Tel: (212) 351-2440

Accepted by FINRA:

July 13, 2017

Signed on behalf of the
Director of ODA, by delegated authority

Susan Light

Susan Light
Senior Vice President & Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, NY 10281-1003
Tel: (646) 315-7333